

National Save for Retirement Week Podcast

Talking Points

Commissioner

- I want to welcome our listeners to the first in our series of Minnesota Department of Commerce podcasts where we talk about financial literacy and educating consumers to make smart money decisions for a happier and secure life today and for the future and avoid pitfalls and scams
- Our topic for today is retirement on the occasion of National Save for Retirement Week, a national event that encourages saving in the workplace and community and promote the benefits of getting start today
- It is a somewhat stark reality that more than 90 percent of working-age households in the U.S. are not saving enough for retirement
- Seventy-five percent of Americans have less than \$30,000 in retirement savings
- And about 45 percent have nothing saved
- These are grim and troubling statistics, but the good news is that it can be very simple to get started
- National Save for Retirement Week serves as a great reminder of the importance of saving and how easy it can be to start
- Today, Nathan Dungan, founder and President of Share, Save, Spend, joins us to talk about saving for retirement at any age and tips to help everyone to spend smarter and save more

- Share, Save, Spend is an innovative organization dedicated to helping youth and adults achieve financial sanity by developing and maintaining healthy money habits that link to their values
- Nathan: what would you recommend for people of different ages to start saving now?

Nathan

- I really encourage young people to start saving even if it doesn't seem like an urgent priority. When we save it impacts our wellbeing and that can make a huge difference throughout our life. More on that in a bit
- At age 25, if you saved \$38/month you could have \$100,000 by age 65 (assuming you have a 7% investment return)
- At this stage of life, your income may be modest and \$38 may seem like a lot of money and retirement seems so far off
- Which is why it can be helpful to think about retirement in relation to your life goals. More specifically, how will saving for retirement today help you achieve financial freedom and flexibility later in life

Commissioner

- It's really important for people to know that the earlier you start saving, the more money you can earn from compound interest

Nathan Dungan

- Imagine that you put \$500 in the bank with a 5% annual interest rate
- For the first year, you will earn \$25 in interest and that \$25 in interest will begin to earn interest too

- And the sooner you start, the more time your interest will earn interest!
- But think about your life goals and what you want to do in retirement and how that can go a long way
- Now by the time you are 45, if you haven't started saving for retirement, you would need to save \$192 a month to have \$100,000 by retirement at 65
- This is probably not ideal, but can be manageable depending on your budget and income – your pay may better at this point
- I think it illustrates that even if you haven't started saving at 45, you can start now and it is possible
- So this bring us to age 60 – if you haven't started saving by that point, you will need to save \$1,397 to have \$100,00 for retirement at 65
- \$1,397/month can be pretty tough to save for most people, so it goes to show that saving early can pay off
- Don't wait until you think saving might be "easier" – the sooner you begin, the less money you are likely to need to save on a regular basis

Commissioner

- And there are small ways to save that can add up big over time. For example, here at the Department we encourage consumers to save energy and money by unplugging appliance when is use, using a programmable thermostat, and getting a home energy audit.

Nathan

- I encourage everyone to take a look at different parts of their budget to see where they can find money to direct toward retirement savings.
- For example, bringing your lunch to work allows you to save some money, as well as, give you better control over what you eat.
- It also pays to take advantage of the library and check out books or movies
- Some other ideas for finding money are canceling unused gym memberships, unread magazine subscriptions and reviewing you cell phone plan to find a more economical option. You might be surprised at how all of that adds up every month.

Commissioner

- I would also urge consumers to take a look at their relationships with financial institutions
- Avoiding fees is one way to cut out extra expenses - use ATMs that don't charge fees. There are even smart phone apps that can help you find free ATM nearby. Watch out for overdraft fees too!
- I think this goes to a larger point of making smart decisions about money and not being penny wise and pound foolish.

Nathan

- Commissioner Rothman, those are all really great points. When I speak around the country to audiences of Millennials (ages 18 – 34) and Gen Xers (35 – 48), I often share a piece of advice I

received from a mentor after I graduated from college and just before I started my first job. He said very simply, “Nathan, building wealth doesn’t happen magically. It happens one choice at a time.”

- As a Gen Xer myself, the most valuable and sometimes difficult lesson I learned during those early working years was the importance of being attuned to how, where and why I was spending money.
- Whether it was buying groceries, clothes, or a car, the sum total of those decisions was far and away the primary determiner in my ability to accumulate any meaningful wealth.
- There are days when adhering to this philosophy can be kind of a drag and a real test of willpower – especially when the consumer culture is tempting us with yet another offer to buy something we don’t need.
- That simple lesson from my mentor really made an impression on me and served as motivation as I started investing a little money every month. And I didn’t really miss the money because it was transferred directly from my bank account to my retirement account.
- And as I now understand, that choice I made over 20 years ago to begin saving for retirement and stay the course through life’s ups and downs means that retirement will be a reality, not just a dream.
- One final nugget for the listeners. In a recent international survey, the Gallup organization found that when adults achieve some measure of financial security (which happens when you save for retirement) it translates to increased wellbeing. Translation: people who achieve financial security are both happier and healthier.

Closing Comments

Commissioner

- On behalf of the Department of Commerce, thank you Nathan, for joining me today. Nathan Dungan is the President of Share, Save, Spend and how can people learn more about the work you do?

Nathan

- In closing, I want everyone to take a moment today and make one decision that will help you start or continue to save for retirement